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PavCo

ANNUAL REPORT

April 1, 2008 to March 31, 2009

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MESSAGE FROM THE CHAIR TO THE MINISTER RESPONSIBLE



David R. Podmore
Chair

"The International Congress and Convention Association has ranked Vancouver as North America's top destination for international meetings."

- Vancouver Sun
- June 2009

I am pleased to present the Annual Report for B.C. Pavilion Corporation (PavCo) for the year ended March 31, 2009.

PavCo's mandate is to increase economic benefit to British Columbia through the operation of British Columbia's premier event facilities: BC Place Stadium (BC Place) and the Vancouver Convention Centre.

Construction of the expansion of the Vancouver Convention Centre was completed on time and within its final budget, a commitment made to the public in 2007. The expanded Centre opened for business in early April 2009, and became an instant success with clients, media and visitors. The expansion has been built to LEED Gold standards, and since opening, has been granted an excellence award as a finalist in the BC Hydro 2009 Power Smart Excellence in Sustainable Building Design Program. The existing Centre at Canada Place is now in process of a major retrofit to bring it to the standards of its newest addition.

BC Place commenced a retrofit in the Fall of 2008. The first phase of the interior and structural upgrades will complete towards the end of 2009, and replacement of the roof is scheduled for completion in early 2011.

At a time of economic downturn, construction activity in and around PavCo facilities is providing new employment opportunities for businesses and tradespersons. Through the construction phase, and following completion, PavCo's upgraded amenities will bring new prosperity to the province.

In less than a year, BC Place and the Vancouver Convention Centre will be host venues for the 2010 Olympic and Paralympic Winter Games. As Broadcast Centre for the Games, the convention centre will provide a stunning backdrop to promote British Columbia to the world. BC Place will provide a comfortable indoor environment for opening and closing ceremonies and nightly events for the Games.

The full impact of the worldwide economic downturn did not significantly impact PavCo's operating performance during the year, and the organization met or exceeded most of its Service Plan targets for Fiscal 2008/09. However, with the economic downturn, and reduction in discretionary corporate

"PavCo's mandate is to increase economic benefit to British Columbia through the operation of British Columbia's premier event facilities."

spending available for convention purposes, the corporation's non-resident delegate numbers fell short of expectation, along with the resulting benefits that would have been generated to the provincial economy.

Attendance at trade and consumer shows also fell marginally. Future bookings at PavCo's facilities however, still remain positive. Through our ongoing and aggressive sales and marketing activity, we will strive to increase our facilities' occupancy levels and future benefits to the province.

Revenues for the year exceeded target, but fell slightly short of the record levels achieved in Fiscal 2007/08. Expenses were higher than forecast, and also those of the previous year, with the increases being due to; additional staffing activity in readiness for our expanded infrastructure; sales and marketing costs to attract future business; higher maintenance activity on our existing facilities; and planning costs for upgrades to our facilities.

Capital investments of \$285 million for the year reflected the substantial completion of the convention centre expansion, and commencement of the upgrades to BC Place.

Even though there has been more availability of skilled workers to fill vacant positions over the past year, the Corporation is still challenged to fill its event part-time labour pool. It is expected that this issue will continue through Fiscal 2009/10 with the Olympic Games requiring a large labour pool for events at its participating venues.

In conclusion, I would like to express particular appreciation to Minister Bill Bennett and also the late Minister Stan Hagen for the tireless support and guidance that they both provided to me over the past year. On behalf of the Board of Directors, I also thank management and staff for their contribution to the organization and its continued success.

ACCOUNTABILITY STATEMENT

The 2008/09 PavCo Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act, and the BC Reporting Principles. I am accountable for the contents of the report, including what has been included in the report and how it has been reported.

The information reflects the actual performance of PavCo for the 12 months ended March 31, 2009, in relation to the February 2008 Service Plan. The measures presented are consistent with PavCo's mandate, goals and strategies, and focus on aspects critical to PavCo's performance.

I am responsible for verifying that internal controls are in place to ensure performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of June 11, 2009, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Any changes in mandate, direction, goals, strategies, measures or targets made since the February 2008 Service Plan was released and any significant limitations in the reliability of data are identified in the report.



David Podmore
Chair of the Board

ORGANIZATIONAL OVERVIEW

Corporate Summary

On April 1, 2008, B.C. Pavilion Corporation amalgamated with Vancouver Convention Centre Expansion Project Ltd. (VCCEP Ltd.), the crown corporation mandated to build the expansion to the Vancouver Convention Centre. The corporation formed under the *British Columbia Business Corporations Act* continues to operate as B.C. Pavilion Corporation (PavCo), and act as an agent for the government under the *British Columbia Enterprise Corporation Act*.

PavCo is proud of and works hard to maintain its reputation for excellence in the marketing and management of its public facilities. Through its operations and activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients travel throughout British Columbia after attending events at its facilities. PavCo's facilities are operated to realize maximum economic benefit while optimizing financial performance.

PavCo owns and operates BC Place Stadium (BC Place) and the expansion to the Vancouver Convention Centre, and also operates the existing convention centre under a lease from Canada Place Corporation, a Federal Government Authority. These facilities are all located in downtown Vancouver.

During the past fiscal year, PavCo worked diligently to complete construction of the new convention centre expansion, on schedule and within budget, and prepare for the operation of the newly expanded facility. The Vancouver Convention Centre was developed to generate economic benefit for the Province of British Columbia, and is the provincial flagship for conventions. Its mandate is addressed by generating direct spending among event organizers and delegates, promoting trade and investment, and acting as a showcase for British Columbia products and services – thereby positioning the Province as a centre for professional development and business activity. The Vancouver Convention Centre also leads initiatives to generate convention business throughout the Province.

BC Place was designed as a multi-purpose facility and is the largest indoor gathering place in British Columbia. It provides support to industry as a venue for trade and consumer shows, while also being a major sports and entertainment centre - thereby serving key community and provincial functions. BC Place is currently undergoing a major revitalization and the refurbished stadium along with the redevelopment of the surrounding areas will continue providing long term economic benefit to the Province of British Columbia.



BC Place



Vancouver Convention Centre

ORGANIZATIONAL OVERVIEW

As a facility operator, PavCo contracts many event functions to third parties in order to achieve the most effective service delivery model. The most significant contracts are with Servomation Inc., which provides food services at both BC Place and the Vancouver Convention Centre.

As a customer-driven organization, PavCo continuously measures the satisfaction of clients and guests at its facilities. This includes rating satisfaction of the sales process, the services provided and the overall experience that patrons have enjoyed while visiting the facilities. The results are monitored and acted upon promptly, as PavCo's long-term reputation within the event business could be at risk if left unattended.

Principal stakeholders of PavCo include the Provincial Government; Tourism Vancouver and the Government of Canada as funding partners of the new convention centre expansion; the businesses and associations representing the tourism and hospitality industry, clients leasing space for commercial opportunities and renting space for events; suppliers of goods and services to events; and the general public who attend events.

PavCo's Vision, Mission and Values can be referenced at <http://www.bcpavco.com/index.html>.

B.C. Pavilion Corporation has registered 'PavCo' as a business name under the *Partnership Act (British Columbia)*.

CORPORATE GOVERNANCE

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives set out by the Provincial Government. The Board consists of eleven members, all independently appointed by the Shareholder.

Governance matters are communicated to the Board through the Shareholder's Letter of Expectations. This letter is an agreement of the respective roles and responsibilities of each and serves as the basis of agreement between the Shareholder and PavCo, including the high-level performance expectations, public policy issues and strategic priorities.

The Shareholder's Letter of Expectations between the Shareholder and PavCo, against which progress is being reported, was signed in 2008 and can be found on the PavCo website at www.bcpavco.com.

PavCo's Board is comprised of the following members:

David Podmore (Board Chair)

Mark Andrew

Derek Brindle

Peter Brown

Bob Bryant

Susan Gomez

John Horning

Daniel Jarvis

Miriam Kresivo

Terry Lyons

Grant Ritchie

Biographies of the Board Members are published on PavCo's website at www.bcpavco.com/team.html

"Governance matters are communicated to the Board through the Shareholder's Letter of Expectations."



CORPORATE GOVERNANCE

The Board has five Standing Committees:

Committee	Members	Role
Audit	Terry Lyons John Horning Dan Jarvis	Oversee the financial reporting process. Review financial statements, audit plans, reports and controls with Auditors.
Construction	David Podmore Derek Brindle Peter Brown Terry Lyons Grant Ritchie	Monitor the construction process and the transition to the operational phase and integration of the Vancouver Convention Centre and its expansion. Oversee the planning and implementation process for refurbishment and upgrades to BC Place.
Corporate Governance	Miriam Kresivo John Horning Terry Lyons	Monitor governance, Board effectiveness, staffing, compensation issues and the implementation of all structural changes to the organization.
Finance	Peter Brown Mark Andrew Miriam Kresivo	Monitor financial policies, reporting, conflicts of interest, financial budgets, forecasts, risk management and other related matters.
Marketing & Communications	Bob Bryant Mark Andrew Susan Gomez Daniel Jarvis	Monitor and advise on effective external communications policies and protocol for the organization. Provide overall direction and development of the sales and marketing process for the organization.

All Committees review and develop policy in their specified areas and make recommendations to the Board. The Board of Directors has a quarterly meeting schedule, prepared in advance of each calendar year, and the Committees meet as required.

PavCo has developed a comprehensive charter of Board activities, as well as several terms of reference and policies in accordance with the Province's Board Resourcing and Development Office's *Best Practices Guidelines*. These can be found on PavCo's website at www.bcpavco.com/resources.

The principles included in the Provincial Government's Governance Framework provide an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- stewardship, leadership and effective functioning of the board
- clarity of roles and responsibilities
- openness, trust and transparency
- service and corporate citizenship
- accountability and performance
- value, innovation and continuous improvement

CORPORATE GOVERNANCE

PavCo's operating divisions and senior management team are:

Corporate Services

Warren Buckley, President and Chief Executive Officer ⁽¹⁾
John Harding, Chief Financial Officer, Corporate Secretary ⁽¹⁾
Krista Freeman, Director of Finance ⁽¹⁾

BC Place

Howard Crosley, General Manager ⁽¹⁾
Brian Griffin, Director, Construction
Graham Ramsay, Director, Business Development
Harvey Repp, Director, Operations
Bob Starkey, Director, Business Administration

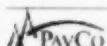
Vancouver Convention Centre

Ken Cretney, General Manager ⁽¹⁾
Vic Johnston, Vice President, Business Administration
Claire Smith, Vice President, Sales and Marketing
Catherine Wong, Vice President, Operations

⁽¹⁾ Corporation Officers

"Known for their leadership in the exhibition, trade, meeting and event industries, our Management Teams have a genuine commitment to excellence and a global perspective on what our local, national and international clients need."

— www.bcpavco.com



REPORT ON PERFORMANCE

PavCo completed Fiscal 2008/09 with close to record revenues on its ongoing operations. Busy event schedules at both Vancouver Convention Centre and BC Place have continued through construction phases with relatively minor disruption to clients. Although the economy has been on decline during the year, solid booking schedules have kept PavCo's facilities busy, even though there has been a reduction in out-of-province attendance numbers.

PavCo generated \$216 million in economic benefits from its ongoing operations during Fiscal 2008/09, compared to a target of \$278 million and Fiscal 2007/08 benefits of \$287 million. At BC Place, the benefits were higher than target and above those of the prior year. At Vancouver Convention Centre benefits were lower than for Fiscal 2007/08, due to fewer from out-of-province visitors at events as the economic downturn intensified.

As a result of new business, and higher spending by clients at events, overall corporate revenue targets were exceeded, and fell just short of the records set in Fiscal 2007/08.

Most major events at Vancouver Convention Centre are booked several years in advance, and entail significant planning and up-front investment by the event organizers. Due to the long-term planning involved, no significant events were cancelled, resulting in only a modest reduction in business activity compared to other organizations during the latter part of the year. However, there was a decrease in attendance from out-of-province attendees at the events, thus generating less related tourism activity within the region.

The BC Lions did not secure a play-off game at BC Place during the year, but the facility did pick up a major concert, that drew a capacity crowd.

The increased space in the expanded convention facilities has created a tremendous opportunity for development of new business for Vancouver and the province. The Convention Centre, along with other tourism organizations, embarked on a major sales and marketing plan during the year. PavCo's unparalleled convention centre, combined with Vancouver's superb natural location, have put the city in an advantageous position to attract new convention business, and resulting tourism activity as the region pulls out of the economic downturn. PavCo will meet its challenge to triple delegate attendance numbers by 2015.

Both BC Place and the existing Convention Centre are well over 20 years old and the fit and finish of both have fallen behind client and guest expectations. The facilities have both commenced significant retrofits which will continue through Fiscal 2009/10 and into future years. Construction activity at BC Place commenced in fall 2008 and resulted in some minor event cancellations and rescheduling.

Construction of the Convention Centre expansion completed at the end of the fiscal year with official opening ceremonies and scheduled events occurring early in April 2009. Considerable attention was spent during the year to ready the building for use, including hiring and training new staff for operations and facility maintenance, familiarizing suppliers with the building, and ensuring that all equipment readiness for event activity.

Similar to other facilities worldwide, market rental rates at BC Place and the Vancouver Convention Centre are such that revenues from operations are insufficient to cover operating and capital expenses. The resulting shortfalls are covered by an annual contribution from the

REPORT ON PERFORMANCE

Ministry of Tourism, Culture and the Arts, and represent a small proportion of the overall economic benefits generated.

PavCo directly, and through its contracts, engages over 1,000 persons at its facilities to provide services to guests. Many of these employees work on a part-time basis, as their employment hours are based on event schedules. At BC Place in particular, it is difficult to recruit and retain event staff on a long-term basis due to the changing work schedules at certain times of the year and more guaranteed work for staff elsewhere. Management is working with the union at BC Place and with suppliers to recruit and retain new part-time staff.

The goals, objectives, performance measures and targets of the two predecessor organizations have been combined and in instances revised since publication of the respective 2008/09 to 2010/11 Service Plans. Appendix 1 provides additional information regarding the comparison of new and prior performance measures and the sources of data for the measures.



REPORT ON PERFORMANCE

Strategic Goals

PavCo has the following strategic goals, which are inclusive of VCCEP's goals:

1. Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder;
2. Maintain and increase client services and satisfaction;
3. Maintain and improve the facilities under our management;
4. Increase innovation, learning, growth and development in our workforce;
5. Design, build and commission an expansion to the existing Vancouver Convention Centre, to design and construct a connector between the new and existing facilities, and to undertake renovations within Canada Place;
6. Effectively manage the Expansion's project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget; and
7. Implement and manage an effective revenue generation program to meet the Expansion project's budget requirements.

Performance Measures and Targets

Goal 1 – Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder.

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia through the prudent management of public facilities. The events held at our facilities support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out-of-province fill hotel rooms, patronize provincial businesses, and conduct pre- and post- event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability and to minimize its reliance on Shareholder funding. Client expectations and competition from other venues is causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on costs.

It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term economic benefits to British Columbia and profitability to the organization.

Key Strategies

Improve the return to the Shareholder on its investment in PavCo's facilities through:

- creating a compelling vision and model for marketing the newly expanded Vancouver Convention Centre
- seeking events from out-of-province which will generate the maximum amount of economic benefits to our community
- seeking and creating high-profile events that will promote growth and support for British Columbia's business base
- pursuing global markets for long-term growth
- diversifying markets to stabilize long-term business
- repositioning our facilities as being more flexible to users; and
- increasing operational efficiencies

REPORT ON PERFORMANCE

Goal 1 – Measure 1

Compare economic benefits generated (in \$millions)

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10 ⁽ⁱ⁾	2010/11
Economic output from out-of-province visitors					
Vancouver Convention Centre ⁽ⁱⁱ⁾ \$242	\$225 ⁽ⁱⁱⁱ⁾	\$259	\$192	\$356	\$616
BC Place \$22	\$22	\$19	\$24	\$13	\$17
Discontinued operation ^(iv) \$240	\$40	N/A	N/A	N/A	N/A
Offset by: PavCo net cost \$4.6 ^(v)	\$0 ^(vi)	\$9.3	\$13.8	\$19.4	\$29.0

⁽ⁱ⁾ Targets for Fiscal 2009/10 do not include projected benefits from the 2010 Winter Olympic and Paralympic Games, as these benefits will be recorded elsewhere by Government.
⁽ⁱⁱ⁾ Forecasts for Fiscal 2009/10 at the Vancouver Convention Centre are higher than for previous years following opening of the expansion to the facility. Benefits will further increase in Fiscal 2010/11 with full operations of the facility for the year.
⁽ⁱⁱⁱ⁾ Vancouver Convention Centre economic output reported in the 2007/08 Annual Report was based on an estimate. Final results reported here are higher.
^(iv) The discontinued operation was the Bridge Studios which was sold in May 2007.
^(v) PavCo's net cost includes the loss on operations, plus sustaining capital expenditures, and is before amortization and contributions.
^(vi) In Fiscal 2007/08, PavCo generated a positive contribution of \$26.2 million; therefore, there was no further requirement for a cash subsidy.

The economic impact of \$192 million generated from activity at the Vancouver Convention Centre was \$67 million less than the Fiscal 2008/09 target and \$33 million less than the Fiscal 2007/08 results, due to lower numbers of non-resident delegates attending events. Economic impact and direct delegate spending will increase in Fiscal 2009/10 due to a higher number of non-resident delegates visiting the Vancouver Convention Centre following opening of the facility expansion, and will further increase in Fiscal 2010/11 with the first full year of operations of the expanded facility.

Economic impacts are calculated based on: surveyed or estimated expenditures by organizers and visitors at events in our facilities; subsequent spending in the Province following the event; the multiplier effect through the economy of such spending. Estimates of benefits for Fiscal 2008/09 were prepared in May 2009. Estimates for future years have been prepared by PavCo management based on anticipated attendance and activity at the facilities.

Unlike many other convention centres, the Vancouver Convention Centre calculates only the economic impact that arises from non-resident delegate and organizer spending rather than overall spending by both local and non-resident delegates.

The Vancouver Convention Centre compares favourably with Canadian, US and international centres when adjusted for the size of rentable space. Metro Toronto Convention Centre (576,000 sq. ft.) reported total direct expenditures of \$118 million (per 2007 Annual Report), and the Washington State Convention Center (306,000 sq. ft.) reported out-of-state delegate spending of \$229 million (per 2008 Annual Report).

REPORT ON PERFORMANCE

Goal 1 – Measure 2 Compare economic benefits generated (in \$millions)					
<i>Gross domestic product from events at the Vancouver Convention Centre</i>					
Past Performance		2008/09 Performance <small>(target per 2008/09 to 2010/11 Service Plan)</small>		Future Performance <small>(per 2009/10 to 2011/12 Service Plan)</small>	
2006/07	2007/08	Target	Actual	2009/10	2010/11
\$83 ⁽ⁱ⁾	\$69	\$84	\$65 ⁽ⁱⁱ⁾	\$121 ⁽ⁱⁱⁱ⁾	\$179

⁽ⁱ⁾ Vancouver Convention Centre economic output and GDP in Fiscal 2006/07 were higher due to several very large events hosted in that year.
⁽ⁱⁱ⁾ Vancouver Convention Centre economic output and GDP in Fiscal 2008/09 were lower than target as a result of fewer out-of-province attendees at events than forecast, as the downturn in the US economy deepened.
⁽ⁱⁱⁱ⁾ Benefits generated through activity in Fiscal 2009/10 do not include those from the 2010 Olympic and Paralympic Winter Games. The increase in benefits predicted is due to opening of the expansion of the Vancouver Convention Centre.

<i>Vancouver Convention Centre direct delegate spending, with an allowance for direct exhibitor spending</i>					
Past Performance		2008/09 Performance <small>(target per 2008/09 to 2010/11 Service Plan)</small>		Future Performance <small>(per 2009/10 to 2011/12 Service Plan)</small>	
2006/07	2007/08	Target	Actual	2009/10	2010/11
\$103	\$88	\$108	\$76	\$143	\$288

<i>Economic impact from all spending from events at BC Place</i>					
Past Performance		2008/09 Performance <small>(target per 2008/09 to 2010/11 Service Plan)</small>		Future Performance <small>(per 2009/10 to 2011/12 Service Plan)</small>	
2006/07	2007/08	Target	Actual	2009/10	2010/11
\$58	\$63	\$51	\$63	\$37 ⁽ⁱ⁾	\$48

⁽ⁱ⁾ Economic impact will reduce at BC Place for Fiscal 2009/10 due to a shortened trade and consumer show season as a result of closures for the 2010 Olympic and Paralympic Winter Games and in Fiscal 2010/11 due to the roof replacement.

In Fiscal 2008/09, BC Place generated \$63 million in economic impact from all spending, surpassing the forecast by \$12 million and equal to the total for the prior year. In addition to regular event activity, BC Place benefited from an unbudgeted rock concert.

PREVIOUS MEASURE: -Subsidy for the facilities, has been discontinued in the *Report on Performance*. There is significant reporting in the *Information on Operating Segments* section on the financial results and capital expenditures for each operating segment of the organization, including: revenues, operating costs, capital expenditures, and full-time equivalent staff positions.

REPORT ON PERFORMANCE

Goal 1 – Measure 3

Increased non-resident delegate days at the Vancouver Convention Centre ⁽ⁱ⁾

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10	2010/11
173,547 ⁽ⁱⁱ⁾	147,119	168,000	126,799	230,000 ⁽ⁱⁱⁱ⁾	381,000

(i) Per KPMG 2002, a "non-resident delegate" is a delegate originating from (or normally residing) outside of the Province of British Columbia. "Non-resident delegate days" is the aggregate number of days that all non-resident delegates attend events at the Vancouver Convention Centre in some specified period (normally a year).
(ii) Delegate attendance in Fiscal 2006/07 was increased with the occurrence of the World Urban Forum: an international event that focused on urbanization and its impact on world communities.
(iii) Non-resident delegate attendance will increase in Fiscal 2009/10 following the opening of the Vancouver Convention Centre expansion. Attendance numbers do not include media for the 2010 Olympic and Paralympic Winter Games, who will occupy the expansion portion of the Convention Centre from September 2009 to March 2010, as well as the east building from late November 2009 to March 2010.

As the economic benefit generated by non-resident delegates represents "new" money coming into the BC economy, this is the first priority and primary performance indicator for the Convention Centre. Non-resident delegate days represent the product of the number of delegates from outside of the Province and the number of days they spend at events hosted at the Convention Centre.

Non-resident delegate days for Fiscal 2008/09 fell short of forecast for the year as a result of weaker worldwide economic conditions and fewer than predicted non-resident delegates attending events.

The number of non-resident delegate days generated by Convention Centre events is an important performance measure as non-resident spending by persons attending convention events is significantly higher than that of leisure tourists, and this spending would not have otherwise occurred in the jurisdiction if the Convention Centre did not exist.

	Vancouver Convention Centre	Centres with less than 100,000 sq. ft. of Exhibit Space, including Regional Centres	National Centres ⁽ⁱⁱ⁾
Hotel room nights ⁽ⁱ⁾	104,000	30,300	107,800

(i) Source: PricewaterhouseCoopers Annual Survey of North American Convention Centres (2008).
(ii) The study defines 'National Centres' as those 'located in a metropolitan area with between 15,000 and 30,000 hotel rooms; or are located in metropolitan areas with at least 30,000 rooms and contain less than 100,000 square feet of exhibit space'

The total number of non-resident delegate days is a reasonable proxy for hotel room nights, as non-residents attending a convention are very likely to be using hotel accommodation during their stay.

The Vancouver Convention Centre compares very favourably with other centres in this regard.

REPORT ON PERFORMANCE

Goal 1 – Measure 4

Increased attendance – BC Place (in thousands)

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10 ⁽ⁱ⁾	2010/11 ⁽ⁱⁱ⁾
984	998	932	943	1,385	757

(i) During Fiscal 2009/10, some regularly scheduled events at BC Place will be displaced due to occupancy by VANOC in preparation for and during the staging of events for the 2010 Olympic and Paralympic Winter Games. Some of these events will be rescheduled after conclusion of the Games, either later in March 2010, or at the beginning of Fiscal 2010/11. Some other events will not occur for that year. Spectators at the Games will offset the decrease in attendance from the events that do not take place in Fiscal 2009/10. Economic benefit generated through activity at the 2010 Olympic and Paralympic Winter Games is not included in PavCo's benefits calculations, as it will be recorded elsewhere by Government.

(ii) Attendance is predicted to fall below historical levels in Fiscal 2010/11 as BC Place will be closed for an extended period for renovations and roof replacement.

Attendance at BC Place events reflects the facility's importance as a gathering place for the people of British Columbia and visitors to the province. Accordingly, attendance is a key measure of the success of the facility and its clients. Attendance drives food and beverage sales and is the foundation for sponsorship revenue generation. In Fiscal 2008/09, 35% of BC Place attendance was derived from professional football. BC Place ranked second in regular season attendance in the Canadian Football League behind Edmonton. The facility was occupied for 200 event days during Fiscal 2008/09 as a multi-purpose facility.

Goal 2 – Maintain and increase client services and satisfaction.

By increasing the satisfaction of our customers, PavCo's reputation as an organization capable of attracting and producing world-class events will drive future attendance levels. This will further enable us to achieve our primary goal of maximizing economic benefit in British Columbia. Many of our guests from out-of-province spend extra time in the province post event, and often return with their families as tourists at a later date.

Key Strategies

- Continue to provide a high level of service to support retaining our customers;
- Work with our industry partners to attract guests who will bring the greatest amount of benefits to the local and provincial economies; and
- Promote our facilities as the preferred venues for client target markets.

REPORT ON PERFORMANCE

Goal 2 – Measure 1

Service quality survey scores

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10	2010/11
<i>Vancouver Convention Centre</i>					
84%	89%	78%	90%	75%	78%
<i>BC Place</i>					
92%	85%	85%	78%	85%	80%

Quality surveys are conducted with clients and guests at both facilities to determine client expectations and satisfaction levels. Wherever possible, both facilities improve service levels as a result of feedback. The event business is very competitive, and client satisfaction is critical.

Service quality scores were expected to decline at the Vancouver Convention Centre as a result of: noise and disruption from nearby construction (including the convention centre expansion and existing facility renovations and adjacent hotel development); work on transportation infrastructure; and deterioration of the existing convention centre's infrastructure. Service quality scores actually increased as a result of ongoing customer service initiatives by staff and the centre's suppliers.

Client satisfaction scores at BC Place fell short of target as the facility renovations progressed. Although most clients have held their events during the construction process, many were adversely affected by the noise and dust created.

Client satisfaction is a measurement of all aspects of the client experience, from the overall condition of the facilities, to the availability and delivery of services, to costs. PavCo recognizes that it is far more difficult to replace clients than to keep them, and therefore endeavours to maintain and improve customer satisfaction.

Goal 2 – Measure 2

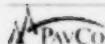
Percentage retention of existing business – BC Place

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10 ⁽ⁱ⁾	2010/11
96%	95%	95%	81%	75%	70%

⁽ⁱ⁾ Some major events will be displaced in Fiscal 2009/10 as a result of BC Place being used for the 2010 Olympic and Paralympic Winter Games. These events will be either rescheduled for a later date or cancelled for one year.

Most of the business at BC Place comes from a core group of regular clients. These clients depend on BC Place being able to provide fixed dates for their events well into the future.

The client retention rate fell significantly during Fiscal 2008/09, as the facility closed for a period in order to commence renovations and a number of small events were cancelled. Retention will fall over the next two years as construction continues.



REPORT ON PERFORMANCE

Goal 3 – Maintain and improve the facilities under our management.

PavCo will maintain its facilities to the best standard possible within available means in order to attract new clients. Repair and improvement plans are being developed at both facilities, and work continues to enhance targeted services. Upgrades to both properties will make them more competitive with other facilities and should result in an increase in overall occupancy and profitability.

A retrofit of the Vancouver Convention Centre east building has commenced, and BC Place is undergoing significant upgrades to bring the facility to acceptable standards for clients and guests.

The Vancouver Convention Centre and BC Place will both be used for high-profile activities during the 2010 Olympic and Paralympic Winter Games.

Key Strategy

- Implement repair and maintenance plans to improve the facilities under our management.

Goal 3 - Measure

Gross margin on events at BC Place

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10	2010/11
35%	37%	37%	37%	24% ⁽ⁱ⁾	34%

⁽ⁱ⁾ The projected margin reduction for Fiscal 2009/10 is due to the 2010 Olympic and Paralympic Winter Games, where most revenues will be from food services. Food services produce lower margins than some other revenue sources at the facility.

BC Place has improved its food services facilities in recent years, and the field turf continues to perform according to expectations. Performance for Fiscal 2008/09 met targets and also equaled the prior year's performance.

Goal 4 – Increase innovation, learning, growth and development in our workforce.

We strive to keep our employees' skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We monitor training activity and measure the rate of staff retention.

Key Strategies

- Continue to support staff development in required skill areas, building capacity and motivation to achieve our strategic goals.
- Implement a performance-contingent compensation system that attracts high performance staff.

REPORT ON PERFORMANCE

Goal 4 - Measure

Employee involvement at BC Place

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10	2010/11
90% ⁽ⁱ⁾	78%	82%	91%	80%	70%

⁽ⁱ⁾ 2006/07 Retention re-stated as a result of error in original calculation

BC Place experienced an improvement in the staff retention numbers in Fiscal 2008/09 due to the softening economy and the attraction of BC Place as a future Olympic venue. In the previous year, a strong economy presented potential part time staff with many alternative employment opportunities that provided more hours of work.

Retention of full time staff remains high, with the turnover being experienced in the part-time staffing positions. Due to the cyclical nature of the event schedule, the ability to retain part time staff will always be affected by the state of the economy.

BC Place anticipates that staff retention in Fiscal 2009/10 could exceed the 80% target set, in spite of the many part time employment opportunities that will be available during the Winter Olympic Games. In Fiscal 2010/11, retention is expected to be much lower with the completion of the Games and a scheduled facility closure. Also, many of the staff are nearing typical retirement ages.

REPORT ON PERFORMANCE

Goal 5 – To design, build and commission an expansion to the existing Vancouver Convention Centre (the Expansion Project) and to design and construct a connector between the new and existing facilities and to undertake renovations within Canada Place (together, the Integration Program).

Key Strategies

- To optimize schedule, budget and quality objectives through continuous and rigorous monitoring of progress towards achievement of Project milestones and by transparent corporate reporting on a monthly, quarterly and annual basis

The expansion to the Convention Centre reached substantial completion in February 2009 and commenced testing and commissioning in March 2009 for opening in April 2009.

Goal 5 - Measure

Meet Schedule, Budget and quality objectives

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
2006/07	2007/08	Target	Actual	2009/10	2010/11
Budget and schedule impacted by market escalation, structural steel design details and skilled labour supply	Budget and quality objectives met; on target to achieve substantial completion March 15, 2009	Progress on Canada Place upgrades	Design and construction of renovations to existing facility 13% complete	Complete Canada Place upgrades	
Completed: pile driving, 100% City of Vancouver parkade	Completed: detailed design, foundation concrete, and 98% structural steel erection	Complete: central mechanical plant, glazed wall installation, living roof, interior finishes, and the water management showcase project	Central Mechanical Plant – 100% Glazed wall installation – 100% Living roof – 100% Interior finishes – 100% Water mgmt showcase – 98% (testing and commissioning remaining)	Continued exploration of third party contributions	
Interim budget lifts of \$68.1M approved; final budget to be approved in July, 2007; substantial completion deferred to March, 2009	<ul style="list-style-type: none"> • Enhanced Connector 21% complete • Central Mechanical Plant 51% • Glazing 26% • Living Roof 40% • Interior Finishes 45% 	Achieve substantial completion March 15, 2009	Substantial completion achieved February 15, 2009		
Foundation concrete advanced to 85%	Canada Place Upgrades Commenced	Realize third party contributions	Realized independent third party contributions		
Commenced structural steel erection and Connector construction					
Realized independent third party contributions to the Project	Third party contributions realized as scheduled				

REPORT ON PERFORMANCE

Goal 6 – To effectively manage the Project Budget, Schedule, and related activities to ensure timely delivery of the Project within its established Budget.

Key Strategies

- To follow the best practices and fulfill the disclosure requirements of the Province's Board Resourcing and Development Office's (BRDO) best board governance practices

Goal 6 - Measure

Fulfill the disclosure requirements set out in the Guidelines beginning with VCCEP Ltd.'s 2004/05 Annual Service Plan Report

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance	
2006/07	2007/08	Target	Actual	2009/10	2010/11
Reporting of forecast expenditures to completion limited to approved interim budgets pending confirmation of final budget	Reporting of forecast expenditures to completion against interim and revised final budget	Meet disclosure requirements through PavCo reporting	Reporting of forecast expenditures to revised final budget	Guidelines set by BRDO are now part of Board's Charter of Activities	
Otherwise, followed governance best practices guidelines	Otherwise, followed governance best practices guidelines	Follow all governance best practice guidelines as a Division of PavCo	Followed governance best practice guidelines		
The Board of Directors undertook monthly reviews of budget and schedule	The Board of Directors undertook monthly reviews of budget and schedule		External auditors provided quarterly financial reviews of the Division and an annual financial audit of the Division		
External auditors provided quarterly financial reviews and annual financial audit	External auditors provided quarterly financial reviews and annual financial audit				
OAG ⁽ⁱ⁾ engaged by Board to review governance, project management, and procurement practices and reasons for cost escalation.	OAG Report publicly issued in October 2007; recommendations incorporated into practices				

⁽ⁱ⁾Office of the Auditor General of British Columbia



REPORT ON PERFORMANCE

Goal 7 – Implement and manage an effective revenue generation program to meet the Project's Budget requirements.

Key Strategies

- To identify potential sources of revenue and to conclude revenue producing business alliance agreements

Goal 7 - Measure

Identify potential sources of revenue and conclude business alliance agreements that contribute to the generation of a minimum of \$30 million by Fiscal 2008/09

Past Performance		2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance	
2006/07	2007/08	Target	Actual	2009/10	2010/11
Confirmed ability to generate \$70.1 million (as upfront payments)	Achievement of up to \$75.0 million net target	Continue to identify potential sources of revenue	No new sources identified and no further agreements concluded	PavCo will continue to identify potential sources of revenue	
Confirmed donation of hemlock from forest industry ⁽ⁱ⁾	Reconfirmed ⁽ⁱⁱ⁾ ; \$30.9 million generated as of March 31, 2008 No new agreements concluded	Support conclusion of additional agreements by PavCo	\$70.7 million net revenue generation (upfront payments) targeted upon conclusion of currently identified agreements; \$42.9 million generated as of March 31, 2009		

(i) \$0.5 million donation from forest industry did not reach conclusion
(ii) PavCo received confirmation from the province during Fiscal 2008/09 to receive its remaining generated revenue by way of partial upfront payments and annual profit sharing

PROGRESS AGAINST SHAREHOLDER'S LETTER OF EXPECTATIONS

The Shareholder's Letter of Expectations between the Shareholder and PavCo is an agreement on the respective roles and responsibilities of each, and serves as the basis of an agreement between the parties regarding corporate mandate – including high-level performance expectations, public issues and strategic priorities.

PavCo's Shareholder's Letter of Expectation dated May 29, 2008, and VCCEP's letter dated May 5, 2008 were the basis for the development of their respective Service Plans for the fiscal period 2008/09 to 2010/11. Upon amalgamation, and as included in each Letter of Expectation, PavCo was specifically directed to take the following actions:

Action	Corporation	Progress
Prepare an updated sales and marketing plan with performance measures for the expanded Vancouver Convention Centre that supports tripling non-resident delegate days by 2015.	PavCo	PavCo prepared an updated plan. Implementation of the first year's activities commenced in Fall 2008, and continues.
Seek input from the BC Olympic Games Secretariat on co-marketing opportunities that leverage their activities leading up to the 2010 Olympic and Paralympic Games.	PavCo	PavCo continues to work with the BC Olympic Games Secretariat and related organizations to maximize opportunities both before and after the Games.
Implement the Shareholder's direction with respect to a new corporate and governance model for the expanded Vancouver Convention Centre.	PavCo & VCCEP	PavCo amalgamated with the Vancouver Convention Centre Expansion Project Ltd. in April 2008. The successor corporation's focus is to streamline the transition from construction, through commissioning and operations of the newly combined convention facilities.
Implement the Shareholder's direction for the retention and refurbishment of BC Place.	PavCo	A retrofit to BC Place is underway that will revitalize the facility and include future redevelopment of the surrounding lands and replacement of the air-supported roof.
Effectively manage the Vancouver Convention Centre Expansion project budget, schedule and related activities to ensure timely delivery of the Project by March 15, 2009, and within the \$883.2 million budget.	VCCEP	The Vancouver Convention Centre Expansion reached substantial completion in February 2009, and was subsequently handed over to PavCo for testing and commission in March 2009. The final costs of the Project are within the \$883.2 million budget.
Continue to explore options and maximize private sector revenue for the public facilities owned/managed by the Corporation, and minimize reliance on government funding, and manage VCCEP's existing revenue generation program.	PavCo & VCCEP	PavCo is seeking third party revenues from the sale of naming rights at BC Place, and from development of the surrounding lands. The corporation will seek new business opportunities to maximize utilization of, and revenue to its operating facilities. PavCo has entered into long term leases negotiated under VCCEP's revenue generation program.
Comply with the shareholders requirement to make the public sector carbon neutral by 2010.	PavCo & VCCEP	The Expansion of the convention centre has been built to LEED gold standards. Renovations to the existing convention centre and BC Place will be to the highest environmental standards. Carbon emissions from use of the facilities are being determined, and energy saving projects implemented to achieve future carbon neutrality.



FINANCIAL REPORT

Management Discussion and Analysis

PavCo's continuing operations are the Vancouver Convention Centre, BC Place and the Corporate Services division.

Effective April 1, 2008, PavCo amalgamated with Vancouver Convention Centre Expansion Project Ltd. (VCCEP). The two companies held a common Board and the same Shareholder since April 2007. The amalgamation enabled PavCo to streamline processes and resources as the expansion of the Vancouver Convention Centre reached completion and transitioned to operations, and BC Place commenced major renovations as part of its revitalization program.

The primary source of revenue for PavCo's facilities is from the event business – Vancouver Convention Centre provides a spectacular venue for conventions, meetings and banquets, and BC Place provides a multi-purpose facility to hold trade and consumer events, sporting events and entertainment.

The event business is becoming increasingly competitive, as it brings significant revenues to the host cities. Worldwide, there is an increasing inventory of show facilities and space for rent, and intense competition by the cities to attract event business.

With the completion of the Vancouver Convention Centre expansion and the ongoing renovations at the existing facility, management sees significant opportunity to bring new business to British Columbia that will benefit all residents through increased spending by non-residents.

The renovations at both Vancouver Convention Centre and BC Place will continue over the next 3 years and will be scheduled for non-peak show seasons where feasible.



FINANCIAL REPORT

Fiscal 2008/09 Financial Results

In Fiscal 2008/09, PavCo recorded a deficit of \$12.7 million on ongoing operations prior to Government contributions. This compares to deficits (before discontinued operations) of \$8.4 million in Fiscal 2007/08 and \$5.8 million in Fiscal 2006/07.

Revenues from operations and gross margin decreased from Fiscal 2007/08 due to a reduction in events (and the related variable costs associated with putting on those events). Facility expenses increased from the Fiscal 2007/08 results, reflective of increased staffing and facility maintenance costs; implementation of the accelerated sales and marketing program promoting the expanded Vancouver Convention Centre; and increased utility costs due to an extended period of colder weather during the 2008/09 winter.

Revenues from operations and gross margin exceeded Fiscal 2008/09's budget due to new event activity and some higher revenues generated from certain contracted events. Facility expenses increased from budget as a result of; the BC Place redevelopment planning; staffing and preparation costs at the Vancouver Convention Centre in advance of opening of the expansion; utility costs with colder winter weather than expected; and implementation of the accelerated sales and marketing plan, unbudgeted.

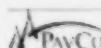
Future Outlook

PavCo's event schedule is substantially fixed for Fiscal 2009/10, as the larger events are booked several years in advance of their occurrence. The most significant events for Fiscal 2009/10 will be the 2010 Olympic and Paralympic Winter Games which will occupy both facilities for the latter portion of the year.

Key to the future success of the Vancouver Convention Centre, is continuation of an aggressive sales and marketing plan to promote the facility, and the province, worldwide. Business is being booked for conventions several years into the future, so a reduction in impetus could adversely affect future years results.

Redevelopment of BC Place will bring new life to the facility and its surrounding lands. The upgraded stadium will attract new sporting and entertainment events, help diversify its product mix, and attract sponsors to the venue.

Renovations at the existing convention centre building and the redevelopment of BC Place will impact the production of shows over the next 2 – 3 years.



Comparison of Financial Results to Target and Prior Year Performance

Comparative Statement of Revenues and Expenditures (in \$000)

	2007/08 Actual	2008/09 Actual	2008/09 Target	Increase (Decrease) from 2007/08	Explanation of Significant Variances from 2007/08	Increase (Decrease) from Target	Explanation of Variances from 2008/09 Target
Revenue	33,263	32,139	30,259	(1,124)	Reduction in event revenues, as anticipated.	1,880	Unbudgeted event activity occurred during the year.
Direct Costs	17,031	16,843	15,658	(188)	Lower costs based on reduced event revenues and the subsequent cost of services provided to clients.	1,185	Incremental increase in costs of hosting the additional events, and providing more services.
Gross Margin	16,232	15,296	14,601				
Facility Expenses							
Staffing	8,508	9,964	8,940	1,456	Increase in staff due to preparation for opening of Convention Centre expansion.	1,024	New operations staff at the Convention Centre are in-house rather than planned outsourcing.
Operating	6,091	7,090	6,610	999	Higher facility maintenance activity, and increased utility usage.	480	Increased utility costs and maintenance activity than projected.
General and Administration	2,020	2,579	2,403	559	Increased costs in preparation for opening of Convention Centre expansion.	176	General increase in cost base.
Business Development	1,479	2,681	1,615	1,202	Increased costs as a result of enhanced sales and marketing plan for the Convention Centre.	1,066	Enhanced sales and marketing plan for Convention Centre not forecast in Service Plan.
Fees	1,049	1,223	994	174	Amalgamation and contract preparation costs.	229	Unbudgeted amalgamation fees and contract preparation costs.
Amortization	3,381	2,975	3,741	(406)	Lower amortization with some assets fully amortized or retired in current year.	(766)	Lower asset base than anticipated at time of forecast preparation
Total facility expenses	22,528	26,512	24,303				
Loss on Operations	(6,296)	(11,216)	(9,702)				
BC Place Redevelopment	(2,074)	(1,493)	(400)	581	Costs associated with BC Place redevelopment planning.	1,093	Redevelopment planning costs were not forecast at time of Service Plan.
Discontinued Operations	33,569	-	-	(33,569)	Sale of Bridge Studios.	-	-
Income (Loss) before Government Contribution	25,199	(12,709)	(10,102)				

FINANCIAL REPORT

Comparison of Financial Operating Results and Forecasts (in \$000's)

Fiscal 2005/06 to 2011/12

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Revenue from operations	28,125	32,498	33,263	30,259	32,139	50,164	40,480	49,421
Direct Costs	15,200	17,827	17,031	15,658	16,843	22,239	20,654	25,806
Gross Margin	12,925	14,671	16,232	14,601	15,296	27,925	19,826	23,615
Facility Expenses								
Staffing	6,972	7,381	8,508	8,940	9,964	13,479	14,331	13,392
Operating	5,216	5,546	6,091	6,610	7,090	15,464	16,932	16,067
General and administration	1,836	2,024	2,020	2,403	2,579	4,185	4,065	4,493
Business development	1,285	1,329	1,479	1,615	2,681	6,525	4,032	1,948
Fees	1,185	1,136	1,049	994	1,223	1,713	1,100	1,168
	16,494	17,416	19,147	20,562	23,537	41,366	40,460	37,068
(Loss) before amortization and other expenses	(3,569)	(2,745)	(2,915)	(5,961)	(8,241)	(13,441)	(20,634)	(13,453)
BC Place redevelopment	-	-	(2,074)	(400)	(1,493)	-	-	-
Discontinued operation (Bridge Studios)	1,910	2,004	33,569					
Income (loss) before amortization and recoveries of contributed surplus	(1,659)	(741)	28,580	(6,361)	(9,734)	(13,441)	(20,634)	(13,453)
Asset amortization expense	(2,590)	(3,084)	(3,381)	(3,741)	(2,975)	(31,009)	(40,393)	(44,967)
Amortization of contributed surplus	4,249	3,876	3,549	13,141	12,709	36,778	40,178	41,671
Net Income (loss) for the year	0	51	28,748	3,039	0	(7,672)	(20,849)	(16,749)
Major capital expenditures	(188,879)	(106,478)	(242,820)	(299,640)	(281,187)	(165,904)	(211,882)	(41,234)
Sustaining capital	(3,561)	(3,853)	(2,251)	(2,985)	(4,064)	(5,956)	(8,399)	(7,733)
Total capital expenditures	(192,440)	(110,331)	(245,071)	(302,625)	(285,251)	(171,860)	(220,281)	(48,967)
Full time equivalent staff	142	153	143	156	171	186	190	191

Note:

Source of Financial 2008/09 Targets are the 2008/09 to 2010/11 Service Plans of PavCo and VCCEP, published February 2008.

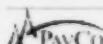
Source of Financial 2009/10 to 2011/12 Targets is the 2009/10 to 2011/12 Service Plan, published February 2009.

Funding, Retained Earnings and Debt

PavCo receives cash contributions from its Shareholder to cover operational deficits, and to provide capital for improvements to its facilities. The funding requirement will increase for Fiscal 2009/10 onwards reflecting the cost of operations of the newly expanded Vancouver Convention Centre.

Retained earnings at March 31, 2009 were \$27.8 million, unchanged from Fiscal Year 2007/08. Earnings are proceeds from the sale of Bridge Studios in Fiscal 2007/08 net of accumulated operational deficits.

PavCo carries a long-term, non-interest bearing debt of \$143 thousand payable to BC Transportation Financing Authority. The debt is repayable over a ten-year term to 2011. PavCo has also negotiated a fiscal agency loan with its Shareholder to fund the BC Place revitalization program. Borrowing will commence in Fiscal 2009/10.



FINANCIAL REPORT

Capital Spending for Projects over \$50 million

There is significant growth in the value of the property, plant and equipment owned and operated by PavCo. Projects of over \$50 million in value are underway at both Vancouver Convention Centre and BC Place.

Vancouver Convention Centre

The facility expansion project was substantially completed and transferred to operations in March 2009. Renovations to the existing facility are underway, with the majority of the work scheduled for completion by the fall of 2009. Some capital work will be deferred until after the 2010 Olympic and Paralympic Winter Games.

The project's sources of funds to March 31, 2009 are (in \$ millions):

	<u>Project Budget</u>			
	Expansion	Connector	Upgrades	Total
<u>Source of funds:</u>				
Province of BC	485.9	18.6	36.2	540.7
Government of Canada (INFC)	202.5	20.0	-	222.5
Tourism Vancouver	90.0	-	-	90.0
VCCEP Revenue Generation Program	30.0	-	-	30.0
Subtotal	808.4	38.6	36.2	883.2
Ancillary projects	3.3	-	-	3.3
Total budget and funding	811.7	38.6	36.2	886.5

At March 31, 2009, expenditures committed were \$804.5 million, of which \$788.3 million has been spent.

BC Place

PavCo is undertaking a major revitalization (\$365 million) of BC Place and its surrounding lands. The first phase of the interior renovations and structural upgrades to accommodate a retractable roof will complete by the end of 2009. The balance of the renovations and physical roof replacement will continue through spring 2011. The corporation is defining the retractable roof budget and schedule. PavCo will utilize cash reserves, cost savings from the expansion project and a loan to fund these projects.

Further detail of the BC Place revitalization program may be referenced at www.bcpavco.com.

PavCo has committed to \$83.6 million of the \$365 million BC Place revitalization program at March 31, 2009, of which \$44.7 million has been expended to date.

FINANCIAL REPORT

Summary Capital Expenditures (in \$millions)

Past Performance	2008/09 Performance (target per 2008/09 to 2010/11 Service Plan)		Future Performance (per 2009/10 to 2011/12 Service Plan)	
	Target	Actual	2009/10	2010/11
Total to March 31, 2008				
Convention Centre Expansion				
\$543.0	251.7	242.3	37.4	51.1
BC Place Redevelopment				
\$ -	10.0	44.7	125.0	160.4

B.C. Pavilion Corporation

Statement of Management Responsibility

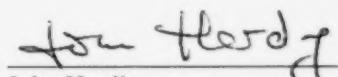
Management, in accordance with Canadian generally accepted accounting principles, has prepared the financial statements for B.C. Pavilion Corporation. These statements present fairly the financial position of the corporation as at March 31, 2009 and results of its operations and cash flows for the year ended March 31, 2009.

Management is responsible for the preparation, integrity and objectivity of the financial statements. Systems of internal control are developed and maintained by management to provide reasonable assurance that transactions are properly authorized, assets are safeguarded, and financial records are properly maintained to provide a reliable basis for preparation of the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Report of the Auditor General outlines the scope of his work on the financial statements for B.C. Pavilion Corporation.



David Podmore
Chair



John Harding
Chief Financial Officer

Vancouver, British Columbia
June 11, 2009



Report of the Auditor General of British Columbia

*To the Board of Directors of
the B.C. Pavilion Corporation, and*

*To the Minister of Tourism, Culture and the Arts
Province of British Columbia:*

I have audited the balance sheet of the *B.C. Pavilion Corporation* as at March 31, 2009, and the statements of operations, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *B.C. Pavilion Corporation* as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Victoria, British Columbia
June 11, 2009*

John Doyle, MBA, CA
Auditor General

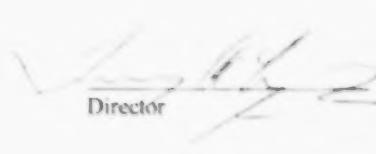


B.C. Pavilion Corporation
Balance Sheet
(in \$000s)

March 31	2009	2008
Assets		
Current		
Cash and cash equivalents (Notes 6)	170,000	99,689
Investments (Notes 7)	-	20,083
Accounts receivable (Note 8)	8,591	7,376
Due from Government of Canada (Note 9)	7,380	9,982
Prepays	2,207	1,040
	188,178	138,170
Long-term		
Property, plant & equipment (Note 11)	860,367	578,646
Intangible assets (Note 12)	2,206	113
	862,573	578,759
	1,050,751	716,929
Liabilities		
Current		
Accounts payables and accrued liabilities (Note 14)	67,565	48,438
Current portion of long-term debt (Note 15)	75	75
Deferred revenue (Note 16)	5,628	4,458
	73,268	52,971
Long-term		
Long-term debt (Note 15)	68	168
Deferred revenue (Note 16)	23,960	12,375
Deferred contributions (Note 17)	316,129	293,302
	340,157	305,845
	413,425	358,816
Shareholder's Equity		
Share capital (Note 18)	-	-
Contributed surplus (Note 19)	609,513	330,300
Retained earnings	27,813	27,813
	637,326	358,113
	1,050,751	716,929
Commitments (Note 24)		
Contingent Liabilities (Note 25)		

On behalf of the Board


Chair


Director

See accompanying notes to the financial statements.

B.C. Pavilion Corporation

Statement of Operations, Comprehensive Income and Retained Earnings (in \$000s)

Years ended March 31	2009	2008
Revenues (Note 20)	32,139	33,263
Direct costs	16,843	17,031
	<u>15,296</u>	<u>16,232</u>
Facility expenses		
Staffing	9,964	8,508
Operating	7,090	6,091
Business development	2,681	1,479
General and administration	2,579	2,020
Fees	1,223	1,049
Amortization	2,975	3,381
	<u>26,512</u>	<u>22,528</u>
Loss on operations	(11,216)	(6,296)
BC Place redevelopment (Note 10)	(1,493)	(2,074)
Amortization of contributed surplus (Note 19)	<u>12,709</u>	<u>3,549</u>
(Loss) before discontinued operations	-	(4,821)
Discontinued operations Bridge Studios	-	33,569
Net income for the year, being comprehensive income	-	28,748
Retained earnings (deficit)– beginning of year	27,813	(935)
Retained earnings – end of year	<u>27,813</u>	<u>27,813</u>

See accompanying notes to the financial statements

B.C. Pavilion Corporation
Statement of Cash Flows
(in \$000s)

Years ended March 31	2009	2008
Operations		
Loss on operations	(12,709)	(8,370)
<i>Items not affecting cash</i>		
Amortization	2,975	3,381
Fair value adjustment on investments	54	114
Disposal of assets	569	-
<i>Change in working capital</i>		
Deferred revenue	12,755	5,776
Change in non-cash working capital (Note 21)	19,347	62,274
	<u>22,991</u>	<u>63,175</u>
Net income from discontinued operations	-	391
<i>Cash provided by (used in) operations</i>	<i>22,991</i>	<i>63,566</i>
Investing		
Property, plant & equipment additions	(285,251)	(245,295)
Intangibles	(2,161)	(29)
Investments	20,083	125,266
Gain on the sale of Bridge Studios	-	33,178
Decrease in long-term debt	(100)	(100)
<i>Cash provided by (used in) investing activities</i>	<i>(267,429)</i>	<i>(86,980)</i>
Financing		
Contributions from the Province of British Columbia	291,922	289
Contributions from other	22,827	100,443
<i>Cash provided by financing activities</i>	<i>314,749</i>	<i>100,732</i>
Net increase in cash and cash equivalents	70,311	77,318
Cash and cash equivalents – beginning of year	99,689	22,371
Cash and cash equivalents – end of year (Note 6)	170,000	99,689

See accompanying notes to the financial statements.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

1. Authority and Purpose

On April 1, 2008 B.C. Pavilion Corporation amalgamated with Vancouver Convention Centre Expansion Project Ltd., to form a new corporation, B.C. Pavilion Corporation (PavCo) under the *British Columbia Business Corporations Act*.

PavCo owns and operates BC Place and owns and will operate the expansion to the Vancouver Convention Centre commencing April 2009. The Corporation also operates the existing Vancouver Convention Centre under a separate agreement with Canada Place Corporation.

PavCo is exempt from income taxes under the Income Tax Act as it is wholly owned by the Province of British Columbia.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. All financial assets and financial liabilities including derivatives are measured in the balance sheet at fair value, except for loans and receivables, and other financial liabilities, which are measured at amortized cost.

PavCo has designated its financial instruments as follows:

Cash is classified as financial assets held for trading. Due to its nature, the carrying value equals its fair value.

Investments are classified as assets held for trading. Assets held for trading are carried at fair value with the changes in fair value recorded in revenues from operations, and gains and losses realized on disposal of held for trading securities, along with the interest are recorded in revenues from operations. Fair value adjustments and any gains or losses on disposal of securities from the VCCEP Division are recorded to construction in progress until the expansion facility is ready for use. (Prior to amalgamation, investments of VCCEP Ltd. at March 31, 2008, were classified as available for sale, recorded at fair value, with changes in fair value recorded to Accumulated Other Comprehensive Income).

Accounts receivable and accounts payable are measured at amortized cost.

b) Construction-in-progress

All costs of construction are recorded at cost and include direct costs during development and construction, as well as value-in-kind (VIK) contributions (see VIK accounting policy), property taxes, any realized gains or losses on the disposal of held for trade securities and interest earned or incurred during construction. As the expansion of the Vancouver Convention Centre is complete, a significant portion of these costs have been transferred to property, plant and equipment. They will be subsequently amortized over their estimated useful lives. The redevelopment of BC Place is on-going.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

2. Significant Accounting Policies (cont.)

c) Value-in-kind (VIK)

PavCo has entered into agreements where VIK is provided. VIK is recognized at fair value and when the goods would otherwise have been purchased (including any applicable taxes). The VIK provided by these agreements is included in construction in progress (see construction-in-progress accounting policy) or property, plant and equipment.

d) Contra-transactions

Unearned revenue resulting from contra-transactions, such as the exchange of goods or services for advertising, is amortized over the term of the services contract.

e) Amortization

Property, plant and equipment are recorded at cost less accumulated amortization.

Assets are amortized over their estimated useful lives to PavCo:

Buildings and improvements	10 to 50 years, straight line
Furniture	3 – 5 years, straight line
Computer equipment	3 years, straight line
Leasehold improvements	over the shorter of the estimated useful life of the improvement and the term of the lease
Mobile equipment	30% per annum, declining balance
Equipment and other capital assets	1 to 10 years, straight line

The art/theming collection is recorded at cost with no amortization.

f) Impairment of long-lived assets

PavCo reviews capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting standard CICA Handbook Section 3063 "Impairment of Long-Lived Assets". An impairment loss is recognized when the carrying amount of an asset that is held and used exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

g) Intangible assets

Intangible assets are recorded at cost and amortized over their useful life (three years) on a straight line basis.

h) Deferred contributions

Contributions for the construction of capital assets are deferred and are amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2.



B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

Significant Accounting Policies (cont.)

i) Government funding for operations

Funding received from the Province of British Columbia is recognized as contributed surplus when received and is then amortized to operations to the extent operating expenses exceed revenues.

Government contributions for specific purposes are deferred and recognized as the expenses are incurred.

jj) Revenue recognition

Revenue from events at BC Place and the Vancouver Convention Centre is recognized on the completion of events. Amounts received in advance of event completion are recorded as unearned revenue.

Revenues received in advance from lease and business alliance agreements and expenses incurred to generate them are amortized on a straight line basis over the term specified in the agreements.

k) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions based on the information available. Such estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from the amounts estimated.

l) Environmental expenses

Environmental costs are recorded when a determination of liability is made and the related costs can be reasonably estimated.

m) Foreign currency transactions

Any foreign currency transactions are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Any foreign currency denominated monetary assets and liabilities are stated using the prevailing rate of exchange at the balance sheet date.

n) New accounting policies

Effective April 1, 2008 PavCo has adopted the CICA handbook section 3064 for classification of intangible assets. As a result computer software is now classified as an intangible asset. These had previously been part of property, plant and equipment.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

3. Financial Instruments – Risk Management

PavCo is exposed to various risks related to its financial assets and liabilities. It is management's opinion that the corporation is not exposed to significant market, liquidity or credit risk arising from these financial instruments.

Market Risk – Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect PavCo's income or the value of its financial instruments.

PavCo's exposure to currency risk is only related to the value of foreign exchange transactions in the normal course of business, and manages this risk by minimizing the amount of transactions in foreign funds.

The corporation is exposed to interest rate risk and other price risk through its investments held at Vancity Investment Management Ltd. and with the British Columbia Investment Management Corporation.

PavCo's current investment policy requires a need for high liquidity, thus the investment portfolio contains a low level of market risk, and is regularly reviewed by management.

Liquidity Risk – Liquidity risk is the risk that PavCo will have difficulty in meeting its financial obligations when they come due.

PavCo manages liquidity risk by continually monitoring cash flows and drawing from its investments when the need arises, and by maintaining the ability to borrow funds from its shareholder.

Credit Risk - Credit risk is the risk of financial loss to PavCo if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

PavCo's exposure to credit risk is only related to the value of accounts receivable in its normal course of business, and manages this risk by minimizing the amount of transactions which require recovery. The corporation continually monitors and manages the collection of receivables from other customers.

4. Capital Management

PavCo defines its capital structure as cash and cash equivalents, long-term debt and shareholder's equity. The corporation's objectives when managing capital are to optimize the use of capital to provide an appropriate investment return to the shareholder, to maintain financial flexibility in order to preserve its ability to meet financial obligations and to continue as a going concern.

PavCo manages its capital structure based on the funds available to the corporation. To maintain or adjust the capital structure may require funding assistance from PavCo's shareholder.

There has been no change to PavCo's capital management approach for the current period. PavCo has no externally imposed capital requirements.

5. Economic Dependence

PavCo relies on its sole shareholder to provide any capital for investments in property, plant and equipment and when required, to assist with operational funding.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

6. Cash and Cash Equivalents

PavCo considers deposits in banks and investments with maturities of three months or less as cash and short term investments.

Included in cash for VCCEP division is \$1.4 million of restricted cash related to the initial deposits for the long term lease agreements with PCI Convention Corp. The restriction on this cash expires upon the lease commencement dates identified in the agreements.

	March 31 2009	March 31 2008
PavCo Operations		
Cash	4,930	757
<i>Investments < 90 days</i>		
Deposits with BCIMC	10,967	38,945
<i>Fair value</i>	15,897	39,702
<i>Book value</i>	15,843	39,588
VCCEP Construction Division		
Cash	4,386	1,409
<i>Investments < 90 days</i>		
Cash	4	1
Canadian treasury bills with interest rates up to 1.00% (3.00% in Fiscal Year 07/08)	96,366	19,412
Government bonds with interest rates of 4.00% to 5.50% (3.75% to 6.00% in Fiscal Year 07/08)	53,347	25,140
Corporate bonds with interest rates between 4.69% and 5.00%	-	12,032
Strip coupons with interest rates of up to 3.18%	-	1,993
<i>Fair value</i>	154,103	59,987
<i>Book value</i>	154,566	60,211
Total Cash & Cash Equivalents		
Total fair value	170,000	99,689
Total book value	170,409	99,799
Fair value adjustment	(409)	(110)

Short-term investments held for trading

Short-term investments identified in PavCo operations consist of units in the British Columbia Investment Management Corporation (BCIMC). The investments are held in Canadian Money Market funds and are receivable on demand. The units are carried at fair value as of the statement date.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

6. Cash and Cash Equivalents (cont.)

Income attributed to the units represents the unit holder's share of the interest earned by the portfolio and may be realized upon the sale of the units.

The fair value adjustment at March 31, 2008 for VCCEP Ltd. (unrealized loss of \$224 thousand) was recorded to Accumulated Other Comprehensive Income. Upon amalgamation with BC Pavilion Corporation on April 1, 2008, fair value adjustments are now recorded to operations to conform to the amalgamated corporation's policies. Fair value adjustments and any gains or losses on disposal of securities from the VCCEP Division are recorded to construction in progress until the expansion facility is ready for use.

7. Investments

	March 31 2009	March 31 2008
VCCEP Division		
Corporate bonds with interest rates between 4.30% and 4.50%	-	20,083
Fair value	-	20,083
Book value	-	19,967
Accumulated other comprehensive income	-	116

The fair value adjustment at March 31, 2008 for VCCEP Ltd. was recorded to Accumulated Other Comprehensive Income. Upon amalgamation with BC Pavilion Corporation on April 1, 2008, fair value adjustments are now recorded to operations to conform to the amalgamated corporation's policies. Fair value adjustments and any gains or losses on disposal of securities from the VCCEP Division are recorded to construction in progress until the expansion facility is ready for use.

8. Accounts Receivable

	March 31 2009	March 31 2008
Trade	3,716	2,988
Interest	934	885
GST	3,941	3,503
	8,591	7,376

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

9. Due from Government of Canada

a) Project funding

The funding agreement between Infrastructure Canada (INFC) and the VCCEP division specifies that VCCEP may submit claims for reimbursement of paid eligible costs to a maximum of \$222.5 million (\$202.5 million for the Expansion facility and \$20 million for the Connector).

At March 31, 2009, VCCEP has recovered \$215.4 million of the \$220.6 million in total claims submitted for recovery of paid eligible costs (\$202.5 million of \$202.5 million received for Expansion claims and \$12.9 million of \$18.1 million received for Connector claims).

b) Incremental funding

The funding agreement between Western Economic Diversification Canada (WED) and VCCEP specifies that VCCEP may submit claims for reimbursement of paid eligible costs to a maximum of \$2.1 million. At March 31, 2009, VCCEP has recovered \$1.9 million of the \$2.1 million total submitted claims for eligible costs under this agreement.

	March 31 2009	March 31 2008
Infrastructure Canada:		
Total claims submitted	220,613	207,859
Less: Payments received	215,362	199,019
Claims receivable	5,251	8,840
Accrued (unpaid) eligible costs	1,887	653
Receivable from Infrastructure Canada	7,138	9,493
 Western Economic Diversification Canada:		
Total claims submitted	1,991	1,786
Less: Payments received	1,887	1,297
Claims receivable	104	489
Accrued (unpaid) eligible costs	138	-
Receivable from WED	242	489
 Total due from Government of Canada	7,380	9,982

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

10. Funding

BC Place Redevelopment

PavCo has been approved for a multi-project envelope of up to \$365 million, including contingencies, to complete interior refurbishments, significant deferred maintenance projects, and to install a retractable roof on the 26 year old BC Place.

The majority of the project will be self-financed by PavCo through the development of lands surrounding BC Place, existing cash reserves, expanded event business and sponsorship opportunities, and operational and energy savings resulting from the refurbishments.

During construction, the Province of British Columbia will provide financing to PavCo for the roof and interiors, in the form of a repayable fiscal agency loan. Financing from the Province of BC will not be required until fiscal year 2009/10.

During the period ended March 31, 2009, costs of \$1,493,000 were spent on investigative costs for replacement of the roof of BC Place, upgrades to the facility and the comprehensive redevelopment of its lands. A further \$44.7 million has been spent in Capital outlays for this project.

	March 31	March 31
	2009	2008
Feasibility costs written off	932	2,074
Loss on disposal of assets	561	-
	1,493	2,074

VCCEP Expansion

At March 31, 2009, the budget for construction of the new convention centre facility (Expansion Facility), the connection between the Expansion Facility and Canada Place together with the upgrades to the existing facility at Canada Place is \$883.2 million, and is to be funded as follows:

- Expansion Facility - \$808.4 million to be funded by the Government of Canada (\$202.5 million), the Province of British Columbia (up to \$485.9 million), Tourism Vancouver (\$90 million) and a minimum of \$30 million from commercial opportunities.
- Connector - \$38.6 million to be funded by the Government of Canada (\$20 million) and the Province of British Columbia (\$18.6 million).
- Upgrades to existing facility - \$36.2 million to be funded by the Province of British Columbia.

Tourism Vancouver's funding is being financed by way of contributions advanced on its behalf from the Province of British Columbia (Note 17).

In March 2005, VCCEP entered into a separate \$2.1 million funding agreement with WED for incremental sustainability initiatives to be added to the expansion project.

VCCEP has generated a minimum of \$30 million of funding from commercial opportunities under long term lease agreements with PCI Convention Corp., various business alliance agreements and from interest earned on funding received in advance of project expenditures.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

11. Property, Plant & Equipment

By facility	March 31, 2009			March 31
	Carrying Cost	Accumulated Amortization	Net Book Value	2008
VCCEP Expansion	763,554	156	763,398	527,075
BC Place	140,869	48,698	92,171	49,809
Vancouver Convention Centre	12,099	7,303	4,796	1,755
Corporate Office	28	26	2	7
	916,550	56,183	860,367	578,646

By category	March 31, 2009			March 31
	Carrying Cost	Accumulated Amortization	Net Book Value	2008
Land	71,260	-	71,260	68,464
Buildings & Improvements	745,883	39,087	706,796	16,359
Construction in Progress				
VCCEP Expansion	18,505	-	18,505	488,405
BC Place	44,716	-	44,716	-
Equipment	23,150	14,518	8,632	4,915
Mobile Equipment	193	125	68	97
Furniture	8,233	1,295	6,938	107
Computer Equipment	1,418	1,158	260	299
Art/ Theming Collection	3,192	-	3,192	-
	916,550	56,183	860,367	578,646

PavCo has a lease agreement with Canada Place Corporation relating to Vancouver Convention Centre's east facility. The lease is for a 20-year term, at nominal annual rent, and PavCo is responsible for all operating costs. As the lease term represents the full economic life of the asset, it is included in the capital assets of the Corporation.

Construction of the Vancouver Convention Centre Expansion reached substantial completion on February 15, 2009, and was subsequently handed over to PavCo for testing and commissioning on March 13, 2009. The facility will open for operations on April 3, 2009. Asset cost includes direct costs of construction and an apportioned amount of overhead costs directly attributable to the construction including capitalized interest earned of \$24.9 million.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

12. Intangible Assets

By Category	March 31, 2009			March 31
	Carrying Cost	Accumulated Amortization	Net Book Value	2008
Computer software	261	214	47	113
Website	279	-	279	-
Agreement to secure the 2011 Grey Cup	1,880	-	1,880	-
	2,420	214	2,206	113

The agreement to secure the 2011 Grey Cup to showcase the revitalization of BC Place was fully funded by Province of BC. The cost will be amortized to operations in fiscal year 2011/12.

13. Intangible Rights

PavCo has had interests in two properties that have been sold or transferred to third parties. Under the terms of the transfer agreements, PavCo could have rights to further income or property at some future date if these or other adjacent properties are developed or sold.

The first relates to a parcel of land adjacent to BC Place that was transferred to a developer for future exchange for another piece of land of approximate size. If the adjacent land is sub-divided or developed, then PavCo will receive the land exchange, otherwise, PavCo will receive cash compensation of approximately \$150 thousand.

The second relates to a parcel of land in Surrey, British Columbia, that, if the land were to be sold or redeveloped before March 2016, then PavCo would receive three fifths of the sales proceeds of the land over \$1.1 million. No estimate is available of the current value of the land or of the intention of the owner to dispose of it at this time.

14. Accounts Payable and Accrued Liabilities

	March 31	March 31
	2009	2008
Trade	60,528	29,454
Holdbacks	7,037	18,984
	67,565	48,438

15. Long-term Debt

	March 31	March 31
	2009	2008
British Columbia Transportation Financing Authority	143	243
Less: Current portion	75	75
	68	168

The long-term non-interest bearing debt is repayable over a ten year term to 2011. The minimum amount payable each year is \$75 thousand.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

16. Deferred Revenue

	March 31 2009	March 31 2008
<i>Current</i>		
Unearned revenue	2,205	4
Event revenues	3,423	4,454
	5,628	4,458
<i>Long- term</i>		
Event revenues	678	608
Other deferred revenue	23,282	11,767
	23,960	12,375
Total deferred revenue	29,588	16,833

17. Deferred Contributions

	March 31 2009	March 31 2008
<i>Government of Canada</i>		
Infrastructure Canada (INFC)	222,500	208,513
Western Economic Diversification Canada (WED)	2,128	1,786
	224,628	210,299
<i>Other Contributions</i>		
Contributions from Tourism Vancouver	90,000	82,600
Other	1,501	403
	91,501	83,003
	316,129	293,302

18. Share Capital

PavCo is authorized to issue an unlimited number of shares without par value, without special rights or restrictions attached. 101 shares are issued and outstanding. These shares are owned by the Province of British Columbia, through registration in the name of the Minister of Tourism, Culture and the Arts, and Her Majesty the Queen in Right of the Province of British Columbia.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

19. Contributed Surplus

Contributed surplus represents the Province of British Columbia's investment in PavCo.

	March 31 2009	March 31 2008
Balance – beginning of year	330,300	333,560
Additional contributions	291,922	289
Amortized to operations	(12,709)	(3,549)
Balance – end of year	609,513	330,300

20. Revenue from Operations by Business Segment

	March 31 2009	March 31 2008
Vancouver Convention Centre	17,605	18,122
BC Place	13,247	13,298
Corporate Office ⁽¹⁾	1,185	1,754
Vancouver Convention Centre Expansion Project	102	89
	32,139	33,263

- Corporate office revenues consist of interest earned on cash and investments and any fair value adjustment on the investments.

21. Change in Non-cash Working Capital

	March 31 2009	March 31 2008
Receivables	1,387	31,606
Prepays	(1,167)	(524)
Assets held for sale	-	5,525
Trade payables and accrued liabilities	19,127	25,667
	19,347	62,274

22. Environmental Costs

PavCo and predecessor property owners remain liable for environmental and reclamation obligations for known hazards that may exist at its facilities. Management is not aware of any existing environmental problems related to its facilities that may result in material liability to PavCo.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

23. Employee Benefits Plan

PavCo and its employees contribute to the Public Service Pension Plan in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the act applies. The Public Service Pension (Plan) is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2008) determined that the Plan needed to implement a contribution rate increase to meet funding requirements of the *Pension Benefits Standards Act*. As a result rates for employees and employer will increase by 0.15% as of April 1, 2009.

Contributions to the Plan by PavCo for fiscal 2008/09 were \$732 thousand (2008 - \$580 thousand).

24. Commitments

a) Construction

As at March 31, 2009, the Corporation is committed to future expenditures for contracts currently entered into with respect to:

BC Place Revitalization	\$38.9 million
VCCEP Division	\$16.2 million

b) Operating lease

The Corporation is committed to payments under operating leases of \$51 thousand.

25. Contingent Liability

The Corporation has issued Letters of Credit to the following:

	Value (in \$)	Expiry Date
City of Vancouver:		
Thurlow Street viaduct warranty costs	\$211,940	October 20, 2009
Department of Fisheries and Oceans Canada:		
Habitat compensation and monitoring	\$100,000	September 3, 2009

The Letters of Credit include an annual auto-renewal clause, unless cancelled prior to the expiry date.

B.C. Pavilion Corporation
Notes to the Financial Statements
Year ended March 31, 2009
(tabular amounts in \$000s)

26. Related Party Transactions

PavCo is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities considered to be in the normal course of operations, are recorded at the exchange amounts, predominantly under prevailing trade terms.

	March 31 2009	March 31 2008
Amounts included in :		
Assets		
Accounts receivable	196	28
Liabilities		
Accounts payable	226	231
Long term debt	143	243
Deferred revenue	4,000	4,000
Equity		
Contributed surplus	609,513	330,300
Operations		
Revenues	384	417
Staffing	106	392
Fees	67	62
General & administrative costs	18	29
Business development	5	-
Operations	1,106	1,114

27. Comparative Numbers

The March 31, 2008 figures are the audited figures of Vancouver Convention Centre Expansion Project Ltd. and B.C. Pavilion Corporation prior to amalgamation on April 1, 2008.

Certain comparative numbers may have been restated to conform to the financial statement presentation used in the current year.

INFORMATION ON OPERATING SEGMENTS (UNAUDITED)

Vancouver Convention Centre

Comparison of Financial Results and Targets (in \$000)

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2010/12 Target
Revenue	15,344	19,157	18,211	16,711	17,707	29,306	30,573	34,615
Direct Costs	8,297	10,688	10,004	9,229	9,793	7,893	14,949	16,939
Gross Margin	7,047	8,469	8,207	7,482	7,914	21,413	15,624	17,676
Facility Expenses								
Staffing	3,329	3,729	3,786	4,326	4,873	7,891	7,912	7,004
Operating	2,865	3,114	3,425	3,312	4,104	11,798	13,073	11,846
General and administration	987	1,220	1,101	1,224	1,570	2,501	2,540	2,593
Business development	1,001	1,124	1,264	1,271	2,316	6,221	3,631	1,302
Fees	687	480	404	420	516	610	477	486
	8,869	9,667	9,980	10,553	13,379	29,021	27,633	23,231
Income (Loss) before amortization	(1,822)	(1,198)	(1,773)	(3,071)	(5,465)	(7,608)	(12,009)	(5,555)
Major capital expenditures	(188,879)	(106,478)	(242,820)	(289,640)	(236,471)	(37,426)	(51,490)	-
Sustaining capital	(704)	(1,079)	(761)	(1,805)	(3,660)	(5,786)	(4,579)	(3,913)
Full time equivalent employees	51	51	51	56	68	83	85	85

Note: Source of Financial 2008/09 Targets are the 2008/09 to 2010/11 Service Plans for PavCo and VCCEP, published February 2008.
Source of Financial 2009/10 to 2011/12 Targets is the 2009/10 to 2011/12 Service Plan, published February 2009.

Key performance information for Vancouver Convention Centre is consistent with that provided for the whole organization, and is separately disclosed in the Report on Performance.

Significant variances between actual financial results for Fiscal 2007/08 and Fiscal 2008/09:

- Revenue and gross margin were marginally lower in Fiscal 2008/09 with the facility showing the effects of the weaker economic conditions on its business volume. The gross margin percentages have remained steady from year to year.
- Staffing costs increased with the addition of operations staff in advance of opening of the expansion.
- Operating costs were higher with increased maintenance activity in the east building, and utility expense increased as a result of colder winter weather.
- General and administration, and fees costs increased due to expenses incurred in advance of the opening of the expansion of the facility.
- Business development costs were higher as a result of marketing initiatives undertaken to ensure long-term booking success for the expanded centre.
- Capital expenditures of \$240.131 million were mainly on the expansion of the convention centre, which reached substantial completion in February 2009.

Significant variances between financial results Fiscal 2008/09 and target results for the year:

- Revenues and gross margin were higher than forecast as a result of increased spending by clients at certain events than expected. The direct costs of hosting these events increased proportionately to the increase in revenue.
- Staffing costs increased as a result of bringing in-house new engineering staff for operations of the expanded convention centre, rather than outsourcing services.
- Operating costs were higher due to increased base building costs and maintenance expenses.
- Business development costs increased as a result of sales and marketing initiatives to bring future new business to British Columbia and the expanded convention centre.

INFORMATION ON OPERATING SEGMENTS (UNAUDITED)

BC Place

Comparison of Financial Results and Targets (in \$)

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Revenue	12,713	13,054	13,298	12,248	13,247	20,708	9,757	14,656
Direct Costs	6,903	7,139	7,027	6,429	7,050	14,346	5,705	8,867
Gross Margin	5,810	5,915	6,271	5,819	6,197	6,362	4,052	5,789
Facility Expenses								
Staffing	3,216	3,209	3,776	3,537	3,766	4,179	4,969	4,897
Operating	2,349	2,432	2,666	3,298	2,986	3,666	3,859	4,221
Renovation costs	-	-	2,074	400	1,493	-	-	-
General and administration	961	1,065	1,116	1,150	1,282	1,649	1,465	1,840
Business development	282	203	209	324	335	284	381	626
Fees	322	448	385	349	463	747	423	482
	7,130	7,357	10,226	9,058	10,325	10,525	11,097	12,066
Income (Loss) before amortization	(1,320)	(1,442)	(3,955)	(3,239)	(4,128)	(4,163)	(7,045)	(6,277)
Major capital expenditures	-	-	-	(10,000)	(44,716)	(128,478)	(160,392)	(41,234)
Sustaining capital	(2,840)	(2,735)	(1,486)	(1,150)	(404)	(150)	(3,800)	(3,800)
Full time equivalent employees	87	98	88	93	94	94	96	97

Note:

Source of Financial 2008/09 Targets is the 2008/98 to 2010/11 Service Plan, published February 2008.

Source of Financial 2009/10 to 2011/12 Targets is the 2009/10 to 2011/12 Service Plan, published February 2009.

Key performance information for BC Place is consistent with that provided for the whole organization, and is separately disclosed in the Report on Performance.

Significant variances between financial results Fiscal 2007/08 and Fiscal 2008/09:

- Revenues and gross margin remained stable.
- Operating costs increased with higher utility payments, and facility maintenance costs.
- The facility incurred engineering and planning costs related to the renovation of the facility and redevelopment of stadium lands.

Significant variances between financial results Fiscal 2008/09 and target results for the year:

- Revenues and gross margins increased with the addition of an unbudgeted concert to the event schedule.
- Operating costs were lower than anticipated with delayed expenditures of larger maintenance projects.

INFORMATION ON OPERATING SEGMENTS (UNAUDITED)

Corporate Services

Comparison of Financial Results and Targets (in \$000)

	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Revenue	68	287	1,754	1,300	1,185	150	150	150
Direct Costs	0	0	0	0	0	0	0	0
Gross Margin	68	287	1,754	1,300	1,185	150	150	150
Facility Expenses								
Staffing	427	443	946	1,077	1,325	1,409	1,450	1,491
Operating	2	0	0	0	0	0	0	0
General and administration	(112)	(261)	(197)	29	(273)	35	60	60
Business development	2	2	6	20	30	20	20	20
Fees	176	208	260	225	244	356	200	200
	495	392	1,015	1,351	1,326	1,820	1,730	1,771
Income (Loss) before amortization	(427)	(105)	739	(51)	(141)	(1,670)	(1,580)	(1,621)
Sustaining capital	(17)	(39)	(4)	(30)	0	(20)	(20)	(20)
Full time equivalent employees	4	4	4	7	9	9	9	9

Note:

Source of Financial 2008/09 Targets is the 2008/98 to 2010/11 Service Plan, published February 2008.

Source of Financial 2009/10 to 2011/12 Targets is the 2009/10 to 2011/12 Service Plan, published February 2009.

Significant variances between financial results Fiscal 2007/08 and Fiscal 2008/09:

- Revenues declined as cash deposits decreased and interest rates lowered.
- Staffing costs increased following amalgamation with VCCEP, and appointment of a full-time president and CEO.

Significant variances between financial results Fiscal 2008/09 and target results for the year:

- Revenues declined with reduction of interest rates on deposits.
- Staffing costs increased following amalgamation with VCCEP and increasing the corporate infrastructure.

HIGHLIGHTS

Event highlights during the year ended March 31, 2009

Vancouver Convention Centre 287 Events



Highlights:

- Pacific Dental Conference
- American Association of Endodontists
- American Immigration Lawyers Association
- World Veterinary Congress
- IEEE Engineering in Medicine and Biology
- Canadian Wind Energy Association
- BC Federation of Labour
- Society of Cardiovascular Anesthesiologists
- World Congress of the International Federation of Freight Forwarders
- Canadian Society of Association Executives

BC Place 49 Events – 200 Event Days



Highlights:

- Madonna Sticky & Sweet World Tour
- Aga Khan Golden Jubilee Tour
- BC Lions Regular Season Football
- Vancouver Gift Shows
- Vancouver International Auto Show
- BC Home and Garden Show
- Vancouver International Boat Show
- Vancouver Home and Interior Design Show
- Monster Jam
- One of a Kind Show
- ABA Beauty Show

APPENDIX 1
Comparison of New and Old Performance Measures and Source of Data

GOAL	Measures per 2008/09 to 2010/11 Service Plan	Measures per 2009/10 to 2011/12 Service Plan	Reason for change in measures	Source of data
1. Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder.	Comparison of net economic benefits generated through operations	Same		The Vancouver Convention Centre bases estimates on (a) detailed surveys of client, delegate and production spending for each event, and (b) economic impact estimates calculated through the BC Stats Input/Output model. BC Place bases estimates on the BC Stats Input/Output model, using visitor, exhibitor and producer numbers for those attending events.
	Comparison of contribution (subsidy) on operations (before depreciation) – BC Place and Vancouver Convention Centre	Measure deleted	Numerical data is reported throughout the Annual Report in more detail.	
	Comparison of non-resident delegate days – Vancouver Convention Centre	Same		Actual delegate days are the number of out-of-province delegates, as supplied by show managers and tracked through the Corporate Event Management System. Estimates for future years are derived from data provided through the Corporate Event Management System.
	Comparison of year-over-year attendance – BC Place	Same		The data is generated from the ticket count of visitors at spectator events and the floor count of visitors at other BC Place events.
2. Maintain and increase client services and satisfaction.	Score on client satisfaction surveys – BC Place and Vancouver Convention Centre	Same		Data is derived from surveys sent to clients post-event.
	Retention of existing business – BC Place	Same		The data includes the count of recurring major events for the year compared with the number of events in the previous year.

APPENDIX 1
Comparison of New and Old Performance Measures and Source of Data

GOAL	Measures per 2008/09 to 2010/11 Service Plan	Measures per 2009/10 to 2011/12 Service Plan	Reason for change in measures	Source of data
3. Maintain and improve the facilities under our management.	Margin per event (excluding football) – BC Place	Same		The margin per event and event type is tracked through the financial system.
4. Increase innovation, learning, growth and development in our workforce.	Employee retention – BC Place	Same		Data is collected from Human Resources files. Retention is based on the percentage of active staff on payroll at the end of each year, as compared to staff at the beginning of the year, plus recruits during the year.
5. Design, build and commission an expansion to the existing Vancouver Convention Centre and design and construct a connector between the new and existing facilities and to undertake renovations within Canada Place (together the Integration Program)	Meet Schedule, Budget and quality objectives	Same		Revised budget, schedule and related quality objective data collected as part of negotiated Stipulated lump sum agreement and from contracted cost and design consultants.
	Report Progress Against Milestones	Same		Milestones and construction progress reported through monthly progress reports and Construction committee meetings. Data is collected using Oracle project management system.
6. Effectively manage the Expansion's Project (Project) budget schedule and related activities to ensure timely delivery of the Project within its established budget	Follow the Province's Board Resourcing and Development Office best practices for board governance, and fulfill the disclosure requirements set out in the guidelines.	Deleted	Best Practices are part of the Board's Charter of Activities	



APPENDIX 1
Comparison of New and Old Performance Measures and Source of Data

GOAL	Measures per 2008/09 to 2010/11 Service Plan	Measures per 2009/10 to 2011/12 Service Plan	Reason for change in measures	Source of data
7. Implement and manage an effective revenue generation program to meet the Expansion project's budget requirements	Identify potential sources of revenue and conclude business alliance agreements that contribute to the generation of a minimum of \$30 million by Fiscal 2008/09	Deleted	A minimum \$30 million in revenue generation was achieved; long term leases have been finalized.	

The actual results for the Fiscal Year ended March 31, 2009 – which are compared to targets and reported in the Report on Performance – are measured against the targets that were set in both PavCo and VCCEP Ltd.'s 2008/09 to 2010/11 Service Plans, published in February 2008. The targets shown for Future Performance are from PavCo's 2009/10 to 2011/12 Service Plan, published in February 2009. Some of the estimates have changed from the respective Service Plans as a result of more detailed information becoming available on event bookings, their subsequent effect on attendance, and the ultimate financial and other returns from the operating facilities.



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